

**REPORT OF THE AUDIT OF THE  
FORMER CLINTON COUNTY  
SHERIFF**

**For The Period  
January 01, 2014 Through January 04, 2015**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER CLINTON COUNTY SHERIFF**

**For The Period  
January 01, 2014 Through January 04, 2015**

The Auditor of Public Accounts has completed the former Clinton County Sheriff's audit for the period January 01, 2014 through January 04, 2015. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$1,326 from the prior year, resulting in excess fees of \$4,503 as of January 04, 2015. Receipts increased by \$6,504 from the prior year and disbursements increased by \$5,178.

#### **Report Comments:**

- 2014-001 The Former Sheriff Should Have Accounted For All Receipts In The Appropriate Accounts
- 2014-002 The Former Sheriff Should Reimburse The Fee Account \$1,302 For Disallowed Expenditures
- 2014-003 The Former Sheriff Should Have Deposited Receipts Intact On A Daily Basis
- 2014-004 The Former Sheriff Did Not Present An Annual Settlement To Fiscal Court And Remit Excess Fees
- 2014-005 The Former Sheriff Did Not Prepare Quarterly Financial Reports
- 2014-006 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over All Accounting Functions

#### **Deposits:**

The former Sheriff's deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Richard Armstrong, Clinton County Judge/Executive  
The Honorable Ricky Riddle, Former Clinton County Sheriff  
The Honorable Jim Guffey, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying statement of receipts, disbursements, and excess fees - regulatory basis of the former County Sheriff of Clinton County, Kentucky, for the period January 01, 2014 through January 04, 2015, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Richard Armstrong, Clinton County Judge/Executive  
The Honorable Ricky Riddle, Former Clinton County Sheriff  
The Honorable Jim Guffey, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the former County Sheriff, as of January 04, 2015, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Sheriff for the period January 01, 2014 through January 04, 2015, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 16, 2015 on our consideration of the former Clinton County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the former Clinton County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.



The Honorable Richard Armstrong, Clinton County Judge/Executive  
The Honorable Ricky Riddle, Former Clinton County Sheriff  
The Honorable Jim Guffey, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

**Other Reporting Required by Government Auditing Standards (Continued)**

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The Former Sheriff Should Have Accounted For All Receipts In The Appropriate Accounts
- 2014-002 The Former Sheriff Should Reimburse The Fee Account \$1,302 For Disallowed Expenditures
- 2014-003 The Former Sheriff Should Have Deposited Receipts Intact On A Daily Basis
- 2014-004 The Former Sheriff Did Not Present An Annual Settlement To Fiscal Court And Remit Excess Fees
- 2014-005 The Former Sheriff Did Not Prepare Quarterly Financial Reports
- 2014-006 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over All Accounting Functions

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

June 16, 2015

CLINTON COUNTY  
 RICKY RIDDLE, FORMER SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 01, 2014 Through January 04, 2015

Receipts

Federal Contract:

U.S. Army Corps Of Engineers	\$	2,081
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State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)		5,205
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State Fees For Services:

Fee Claims	\$ 5,149	
House Bill 452	4,686	9,835

Circuit Court Clerk:

Fines and Fees Collected		6,369
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Fiscal Court:

Sheriff's Salary	76,264	
Training Incentive	3,910	80,174

County Clerk - Delinquent Taxes		7,789
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Commission On Taxes Collected		133,678
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Other Fees On Taxes Collected:

10% Add-On Fees		15,202
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Fees Collected For Services:

Auto Inspections	2,460	
Accident and Police Reports	167	
Serving Papers	15,080	
Carrying Concealed Deadly Weapon Permits	5,485	
Arrest Fees From Other Counties	905	24,097

Other:

Transporting Prisoners	1,613	
Miscellaneous	332	1,945

Interest Earned		75
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Borrowed Money:

State Advancement		40,000
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Total Receipts		326,450
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The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
 RICKY RIDDLE, FORMER SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 01, 2014 Through January 04, 2015  
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-		
Deputies' Salaries	\$ 78,914	
Other Salaries	40,570	
Employee Benefits-		
Employer's Share Social Security	8,735	
Employer's Share Retirement	21,740	
Materials and Supplies-		
Office Materials and Supplies	6,504	
Uniforms	2,083	
Auto Expense-		
Gasoline	23,175	
Maintenance and Repairs	5,103	
Other Charges-		
Conventions and Travel	1,204	
Dues	330	
Postage	130	
Bond	6,825	
Carrying Concealed Deadly Weapon Permits	2,290	
Miscellaneous	5,472	\$ 203,075

Debt Service:

State Advancement	40,000
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Total Disbursements		\$ 243,075
Less: Disallowed Disbursements		
Late Payment Penalties	1,239	
Inadequate Supporting Documentation	63	1,302
Total Allowable Disbursements		241,773
Net Receipts		84,677
Less: Statutory Maximum		76,264
Excess Fees		8,413
Less: Training Incentive Benefit		3,910
Excess Fees Due County for 2014		\$ 4,503

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT

January 04, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.192 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
January 04, 2015  
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

The former Sheriff's contribution for calendar year 2012 was \$20,625, calendar year 2013 was \$22,314, and calendar year 2014 was \$21,740.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
January 04, 2015  
(Continued)

Note 2. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Clinton County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The former Clinton County Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of January 04, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Eradication Account

The former Sheriff's office maintained a Drug Eradication account. Receipts from this account are from court ordered payments related to drug cases. These funds are for law enforcement activities involving drug eradication are not included as excess fees. The balance as of January 01, 2014 was \$23,510. During calendar year 2014, receipts and disbursements were \$6 and \$3,792 respectively, leaving a balance of \$19,723. The former Sheriff turned over the unexpended balance to the incoming Sheriff after vacating the office.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
January 04, 2015  
(Continued)

Note 5. Drug Abuse Resistance Education Account

The former Sheriff's office maintained a Drug Abuse Resistance Education (DARE) account. Funds received in this account are to be spent on drug abuse resistance education and are not included as excess fees. The balance as of January 01, 2014 was \$1,214. During calendar year 2014, there were no receipts and \$398 was expended, leaving a balance of \$816. The former Sheriff turned over the unexpended balance to the incoming Sheriff after vacating office.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Richard Armstrong, Clinton County Judge/Executive  
The Honorable Ricky Riddle, Former Clinton County Sheriff  
The Honorable Jim Guffey, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statement of receipts, disbursements, and excess fees - regulatory basis of the former Clinton County Sheriff for the period January 01, 2014 through January 04, 2015, and the related notes to the financial statement and have issued our report thereon dated June 16, 2015. The former Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the former Clinton County Sheriff's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Clinton County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Clinton County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-003 and 2014-006 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

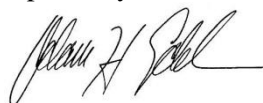
### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the former Clinton County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, 2014-003, 2014-004, and 2014-005.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

June 16, 2015

## COMMENTS AND RECOMMENDATIONS



CLINTON COUNTY  
RICKY RIDDLE, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period January 01, 2014 Through January 04, 2015

FINANCIAL STATEMENT FINDINGS:

2014-001 The Former Sheriff Should Have Accounted For All Receipts In The Appropriate Accounts

The former Sheriff engaged in the practice of transferring funds between multiple accounts in order to cover operating expenses of his office. Our examination of receipts and disbursements indicated the following:

- a) In January 2014, the former Sheriff transferred \$20,000 from the Drug Eradication account to the 2014 fee account to cover operating expenses of his office. However, in December 2014, the 2014 fee account reimbursed the Drug Eradication account.
- b) In December 2014, the former Sheriff transferred \$5,300 from the Drug Eradication account to the 2014 fee account as a reimbursement for equipment purchases made earlier in the year. However, the former Sheriff could not identify any purchases to support this reimbursement. The \$5,300 should be returned to the Drug Eradication account.

Sheriffs may apply for an advancement from the state to help with the necessary expenses and salaries of the office. The former Sheriff did apply for a state advancement; however, he did not receive a payment until March. Since the former Sheriff did not apply and receive the state advancement timely, he transferred funds from the Drug Eradication account to the fee account to cover expenses at the beginning of the calendar year.

KRS 134.160(5) states, "Other than as permitted for investments and expenditures by this chapter, the Sheriff shall not apply or use any money received by him for any purpose other than that for which the money was paid or collected." When restricted funds are used for operating expenses, there is a risk the funds cannot be replaced and would have to be repaid personally by the Sheriff.

The former Sheriff should have refrained from making loans to various accounts, and ensured that all receipts were deposited to the appropriate accounts. We recommend the former Sheriff transfer \$5,300 from the 2014 fee account to the Drug Eradication Fund.

*Former Sheriff's Response: No response.*

2014-002 The Former Sheriff Should Reimburse The Fee Account \$1,302 For Disallowed Expenditures

The former Sheriff had \$1,302 in disallowed expenditures from his 2014 official fee account. These expenditures included \$1,239 in penalties incurred for late payments and \$63 reimbursed to the former Sheriff personally which lacked adequate supporting documentation. Items, such as late payment penalties, are not necessary expenses of the office and reduce the amount of operating funds for the former Sheriff's office or reduce the amount of excess fees paid to the Fiscal Court. In addition, without proper supporting documentation, we could not determine if the remaining expenditures were reasonable or necessary.

In accordance with Funk v. Milliken, 317 S.W.2d 499 (KY 1958), expenses made through the fee account must be necessary for the operation of the office, reasonable in amount, beneficial to the public, not predominately personal in nature, and supported by adequate documentation.

CLINTON COUNTY  
RICKY RIDDLE, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2014 Through January 04, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-002 The Former Sheriff Should Reimburse The Fee Account \$1,302 For Disallowed Expenditures  
(Continued)

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When fee account monies are spent on disallowed expenditures, the Sheriff is required to deposit personal funds in the account to cover these items. We recommend the former Sheriff deposit personal funds of \$1,302 in the 2014 fee account for disallowed expenditures.

*Former Sheriff's Response: No response.*

2014-003 The Former Sheriff Should Have Deposited Receipts Intact On A Daily Basis

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During the course of the audit, we noted that deposits were not made in a timely manner. There were a total of 173 deposits made into the 2014 fee account. Of these deposits, 121 did not clear the bank within three (3) business days. In addition, the auditor noted that forty-five (45) of the deposits took over nine business days to clear the bank. The former Sheriff lacked controls over the deposit process and did not provide adequate oversight in this area.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual require that deposits be made daily. The practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Additionally, when deposits are not made timely, the risk that the bank account can be overdrawn is increased.

This noncompliance had been addressed in prior year audits. However, the former Sheriff did not correct this issue. The former Sheriff should have implemented controls over the deposit process to assure deposits were made daily to comply with KRS 68.210.

*Former Sheriff's Response: No response.*

2014-004 The Former Sheriff Did Not Present An Annual Settlement To Fiscal Court And Remit Excess Fees

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During our review of fiscal court orders, we noted the former Sheriff did not present an annual settlement to the fiscal court for calendar year 2014 and remit excess fees as required. The former Sheriff collected total receipts of \$326,450 and disbursed \$321,947. The remaining balance of \$4,503 should have been remitted to fiscal court as excess fees. Without a complete statement of receipts and expenditures, fiscal court cannot be sure that correct excess fees have been submitted.

KRS 64.830(2) states, "Each outgoing county official shall make a final settlement with the fiscal court of his county by March 15 immediately following the expiration of his term of office for all money received by him as county official and to obtain his quietus, and immediately thereafter he shall deliver these records to the incumbent county official."



CLINTON COUNTY  
RICKY RIDDLE, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2014 Through January 04, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-004 The Former Sheriff Did Not Present An Annual Settlement To Fiscal Court And Remit Excess Fees (Continued)

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The former Sheriff should have complied with KRS 64.830 and presented his annual settlement to fiscal court. At the time of his settlement he should have remitted all excess fees to the fiscal court. We recommend the former Sheriff remit excess fees of \$4,503.

*Former Sheriff's Response: No response.*

2014-005 The Former Sheriff's Did Not Prepare Quarterly Financial Reports

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The former Sheriff did not prepare and submit three quarterly financial reports to the Department for Local Government (DLG) for calendar year 2014. DLG sent a memorandum dated October 8, 2014 to the former Sheriff informing him they had not received the quarterly financial report for the quarter ended June 30, 2014. However, the former Sheriff still did not prepare any quarterly reports after the first quarter. As a result, the auditor recapped receipts and disbursement ledgers to compare to the bank and plan testing.

According to the County Budget Preparation and State Local Finance Officer Policy Manual, "The State Local Finance Officer requires the quarterly report to be submitted no later than 30 days following the close of the quarters ending March 31, June 30, September 30, and December 31." By not preparing and submitting quarterly reports, DLG nor the former Sheriff could monitor expenditures to determine if within budget.

The former Sheriff should have prepared and submitted quarterly reports as required by DLG.

*Former Sheriff's Response: No response.*

2014-006 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over All Accounting Functions

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A lack of adequate segregation of duties existed over all accounting functions. During our review of internal controls, we noted the former Sheriff's bookkeeper was responsible for opening incoming mail, receiving and recording cash, preparing of bank deposits, preparing the daily checkout sheets, posting to the receipts and disbursements ledgers, and preparing financial reports.

A limited budget places restrictions on the number of employees the Sheriff can hire. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties.

Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department for Local Development, which could occur, but go undetected.

CLINTON COUNTY  
RICKY RIDDLE, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2014 Through January 04, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-006 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over All Accounting Functions (Continued)

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Additionally, because a lack of adequate segregation of duties existed and because the former Sheriff did not provide strong oversight over the office, the following occurred:

- All Receipts Were Not Accounted For In The Appropriate Year.
- Receipts Were Not Deposited On A Timely Basis.
- Penalties Were Charged For Late Payment Of Invoices.
- The Receipts And Disbursements Ledgers Required Numerous Adjustments And Reclassifications.
- A 4<sup>th</sup> Quarter Financial Report Was Not Prepared And Submitted.
- An Annual Settlement Was Not Prepared And Submitted To Fiscal Court For Approval.
- Excess Fees Were Not Remitted To Fiscal Court.
- Employer's Share Of Retirement Was Not Properly Calculated Resulting In An Underpayment Of \$188.

A segregation of duties over various accounting functions, such as opening mail, recording cash, preparing bank deposits, posting transactions to ledgers, and preparing financial reports or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their responsibilities.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the former Sheriff could have separated the duties involving the opening of mail, depositing of cash, posting of transactions to the ledgers, and preparing financial reports. If, due to a limited number of staff, that was not feasible, strong oversight over these areas could have occurred and involved an employee that was performing any of those functions. Additionally, the former Sheriff could have provided this oversight and noted it on all appropriate source documentation.

*Former Sheriff's Response: No response.*

